

Report of the Chief Officer PPPU and Procurement

Report to Corporate Governance and Audit Committee

Date: 21 January 2013

Subject: Transforming Procurement Update

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys. This expenditure equates to approximately one-third of the council's revenue budget and almost its entire capital budget.
2. Following the transfer of the Corporate Procurement Unit to Resources Directorate, a 'Transforming Procurement Programme' was formed to review how the council undertakes procurement, with the aim of establishing sustainable economy, efficiency and effectiveness in the council's procurement activities, taking account also of the council's wider ambitions.
3. Work to deliver the programme is progressing well across all three of the principal workstreams – strategy, pilots, and business. A number of improvements have been made to the organisation and management of the council's corporate procurement function and the refresh of strategy, planning and delivery documents, including Contracts Procedure Rules, is on target for a March 2013 Executive Board report.

Recommendations

4. That members of the Corporate Governance and Audit Committee note and comment on the contents of this report.

1 Purpose of this report

- 1.1 To inform members of the Corporate Governance and Audit Committee of progress with respect to the Transforming Procurement Programme and invite comments on the contents of this report.

2 Background information

- 2.1 The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys.
- 2.2 Each year the council spends approximately £600 million on a wide range of goods and services, including for example energy supplies, foster care, and support for homeless people. The council also spends approximately £300 million on works such as highways maintenance and school extensions.
- 2.3 These goods, works and services are purchased from over 5,000 organisations, from the public, private and third sectors, and are organised into over 2,500 separate contracts. Some contracts are short term single supplier contracts; others are longer term or include multiple suppliers in framework arrangements. The council undertakes over 400 individual procurements each year.
- 2.4 Each Directorate undertakes the procurements they need to deliver the services and outcomes that they are responsible for, including in some cases joint procurement with partners such as the health service. They prepare the specification and the evaluation criteria, and take the decisions on the proportion of the budget to be allocated to the contract and which organisation to award the contract to. They are then responsible for managing the contract.
- 2.5 The Corporate Procurement Unit provides support to Directorate colleagues undertaking procurements and provides advice on good practice in procurement and contract management, and on council policy and legislation relating to public procurement, summarised in the council's Contracts Procedure Rules.
- 2.6 Following the transfer of the Corporate Procurement Unit to Resources Directorate, a 'Transforming Procurement Programme' was formed to review how the council undertakes procurement, with the aim of establishing sustainable economy, efficiency and effectiveness, taking account also of the council's wider ambitions.
- 2.7 Work to deliver the programme is progressing well across all three of the principal workstreams – strategy, pilots, and business. A number of improvements have been made to the organisation and management of the council's corporate procurement function and the refresh of strategy, planning and delivery documents, including Contracts Procedure Rules, is on target for a March 2013 Executive Board report.
- 2.8 The programme team is seeking to capture and build upon expertise and examples of best practice which are available within the council and nationally, from the public, private and third sectors, and including the recommendations contained in scrutiny reports and internal audit reports relating to the council's

procurement practices. This information is being distilled into draft processes and documentation for Leeds, including guidance, templates and training materials.

3 Main issues

Strategy

3.1 The current draft ambition is for the council to “deliver the best commissioning, procurement and contracting in the country, where:

- We achieve value for money for the public;
- We support the delivery of quality outcomes for service users;
- We support the wider ambitions of the council and its partners;
- Providers from all sectors want to deliver for Leeds;
- Procurement professionals want to work for Leeds; and
- We are recognised nationally as a centre of excellence”.

3.2 The current draft strategy includes the principles that the council's procurement activities should:

- Work to common principles and rules, but allow tailoring to take account of different categories of purchase;
- Reflect a whole lifecycle approach to procurement, from identification of service need, through procurement, to contract management and then exit;
- Build on expertise within directorates and provide appropriate central support;
- Develop the procurement skills and capacity of our people, and improve our systems and information;
- Ensure appropriate governance, ownership, assurance, and check and challenge, incorporating openness and transparency.

3.3 The strategy is centred on a category management approach to procurement. Category management is a widely adopted method of procurement, which groups together related purchasing, to optimise quality and maximise savings. In addition to the benefits of "bulk buying", it can facilitate better intelligence of buying needs and of what providers have to offer. It can also assist in improving accountability and outcomes.

3.4 The strategy set out in paragraphs 3.1 to 3.3 above was considered by Corporate Governance and Audit Committee at its meeting on 27 February 2012. Since then, officers have been testing this approach through pilots and developing the draft planning and delivery documents outlined below.

Contracts Procedure Rules

- 3.5 Contracts Procedure Rules are being refreshed to reflect the strategy and a supporting manual is being developed for officers, which will provide practical tools to support assurance and compliance.
- 3.6 Work is also being undertaken to define clear roles and accountabilities for officers in the central procurement function and in directorates with respect to each stage of the procurement lifecycle, and will ensure a clear alignment with the council's corporate governance framework.

Planning Documents

- 3.7 In order to support improved value for money and better outcomes from procurements it is important to assess and plan in advance. A suite of template documents has been developed to assist colleagues to undertake this planning in a structured and robust manner.
- 3.8 Each of the plans will include management of risk, benefits and lessons, have clear accountabilities and governance, and will include consultation with relevant elected members and identified stakeholders appropriate to the category.
- 3.9 Each category will have a 'Category Plan' setting out current arrangements, constraints and opportunities, desired outcomes and an action plan.
- 3.10 Each procurement will have a 'Procurement Plan' setting out the desired outcomes, procurement approach, resourcing and timetable.
- 3.11 Each contract will have a 'Contract Management Plan' setting out key contract information such as milestone dates, contract value, and performance management arrangements.
- 3.12 Each contract will have an 'Exit Plan' setting out the key activities and responsibilities required at the end of the contract period.

Delivery Documents

- 3.13 In order to support improved value for money and better outcomes from procurements it is important to ensure that tender and evaluation documents are clear, proportionate and in accordance with legislative requirements. A suite of template documents has been developed to assist colleagues to draft these in a structured and robust manner.
- 3.14 A full review of the council's standard contract terms and conditions is being undertaken to ensure they reflect current best practice and national advice.
- 3.15 In addition, template tender documents are being refreshed and developed to give clearer and more specific guidance on tender instructions, financial matters and specification writing, and on evaluation criteria and methodologies.
- 3.16 'Workshop packs' are being developed to assist colleagues in considering relevant council policies and good practice. The draft workshop packs are currently grouped into:

- Social responsibility – employment and skills, community benefits, environment, ethical and fair-trade, regeneration, equality
- Provider types – small businesses, third sector, social enterprises, internal service providers
- Stakeholders – elected members, service users, staff, providers, locality working
- Management – risk, lessons, benefits.

Pilots

- 3.17 The programme has been twin-tracking strategy and process development with live pilot projects to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner.
- 3.18 Pilots have now been established for each area of the council's expenditure: Children's, Adults and Health, Construction and Housing, Facilities Management and Transport, Environmental, and Business and Professional. Each pilot is being resourced through pooled teams of staff from PPPU and Procurement Unit, who work with commissioning colleagues in directorates. Each category team reviews service needs and pressures, and current expenditure and procurements, in the category. Opportunities, issues and risks are identified, forward plans are resourced and prioritised, and action is taken to address identified priorities.
- 3.19 The Children's Category Team was the first pilot to start. Working with colleagues in Children's Services the team has mapped current contracts and known future procurements, agreeing priorities and resourcing. Working in this way the team, together with directorate colleagues, has secured a number of 'quick wins', reducing in-year expenditure and procuring new contracts which aim to secure better outcomes for looked after children at reduced cost. The newest teams (Environmental and Business and Professional) are currently at the initial mapping and planning stage.

Regional

- 3.20 Opportunities are being taken to share best practice and lessons learned with procurement colleagues from across the region. In addition to regular monthly meetings hosted in Leeds, opportunities for collaborative procurement continue to be explored and implemented where this is found to improve value for money. Highlights include the 'Public Service Network' IT project and combined procurements for children's social care including fostering and residential care. These opportunities are delivering benefits for Leeds and the wider region, and have been welcomed by the organisations tendering for the work.

Business Management

- 3.21 The Chief Officer Public Private Partnerships Unit is undertaking the strategic roles of the Chief Procurement Officer and now holds a single, joint management

team meeting. Staff communications have been combined, administrative support has been pooled, and control of the Procurement Unit budget has improved.

- 3.22 A training strategy for staff is currently in development, with initial implementation planned to commence from January 2013.

Management Information

- 3.23 In order to support improved value for money it is important to ensure that there is accessible and up-to-date information about the council's procurement activity. A suite of management information reports is being developed and 'data cleansing' has been undertaken to ensure that the council has an accessible and accurate view of its procurement activity.
- 3.24 A procurement calendar has been developed, which identifies all known future procurements. This is being combined with a newly developed resource planning tool, which will allow procurement managers and staff to have clear forward work programmes and will assist in identifying resourcing pressures and opportunities.
- 3.25 A tool to track off-contract spend has been developed, and is now circulated monthly to category teams for action. To assist directorate colleagues to identify the most appropriate contract to place orders against, alerts and additional helpdesk support have been implemented. These actions have led to a significant reduction in off-contract spend across the council. A supplier information database is in development which will improve the efficiency of this support and will facilitate greater 'self-help' for colleagues across the council.
- 3.26 Work has been undertaken to analyse the council's expenditure with third parties, and options for automating this analysis for the future are currently in development. This work is being undertaken jointly with colleagues in corporate finance and the council's central payments team.
- 3.26.1 Tools to capture and track procurement savings have been developed and from January 2013 will be circulated monthly to category teams for action. As noted above, the delivery of procurements, and in turn procurement savings, are a result of cross-functional working with directorates. The category teams work closely with directorate colleagues to seek to secure procurement and contract efficiencies, and to ensure that off-contract and non-contract spend is reduced. Agreeing and 'capturing' procurement savings, in discussion with directorates, enables budget holders to make informed choices and where possible translate identified saving opportunities into 'cashable' savings
- 3.26.2 The current procurement related saving opportunities for 2012/13 total £6.3m and an additional £2.8m has been secured for 2013/14. The forecast savings for procurements not yet undertaken indicate a further £1.6m for 2013/14, taking the overall identified saving opportunities to a total of £4.4m in 2013/14.
- 3.26.3 In addition the teams are seeking to secure cost avoidances or 'non cashable savings' for example where a price increase has been avoided or where the re-procurement of a contract has resulted in more for less. It is difficult to quantify these savings and by definition they are not usually 'cashable' from a budget

perspective. Nevertheless they do demonstrate the value added by effective procurement intervention and improve value for money.

- 3.27 The electronic tender system that the council uses has been re-tendered and a new supplier identified. The new system came into use at the beginning of January. 'YORtender' is a regional facility shared with all local authorities in the Yorkshire and Humber region. Work to migrate to the new system is now complete, including a training and registration day for suppliers. Further training and fine tuning is currently being undertaken.
- 3.28 Work is also being undertaken to review and refresh the approaches to information publishing and data protection with respect to procurement.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.4 Consultation is being undertaken to identify examples of best practice and lessons learned, and to better understand stakeholder aspirations and the barriers they face within the procurement and contracting process.
- 4.1.5 This includes engaging with commissioning and procurement staff across the council and others in related roles such as audit, finance and human resources.
- 4.1.6 The team is also engaging with representatives from the private sector and the third sector, to ensure their views are considered within the programme.
- 4.1.7 The draft strategy was presented to Corporate Governance and Audit Committee in February 2012, specific elements have been considered at Sustainable Economy and Culture Scrutiny Board, and briefings have been held with the Executive Member for Neighbourhoods, Planning and Support Services.
- 4.1.8 In consultation with the council's performance teams and other specialists, the programme team is reviewing and refreshing the guidance and support available to staff that seek to ensure all procurements include appropriate communication, consultation and engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 In consultation with the council's Equality Team, the programme team is reviewing and refreshing the guidance and support available to staff that seek to ensure all procurements appropriately address these issues.

4.3 Council policies and City Priorities

- 4.3.1 The programme directly supports the council value of 'spending money wisely'.
- 4.3.2 In consultation with the council's performance teams and other specialists, the programme team is reviewing and refreshing the guidance and support available to staff that seek to ensure all procurements appropriately address and reflect council policies and city priorities.

4.4 Resources and value for money

- 4.4.1 The costs of delivering the programme are internal staffing costs, predominantly staff in Procurement Unit and the PPPU, but also staff in other directorates that are contributing to the development of the strategy and engaging in the pilots.
- 4.4.2 The programme team is developing systems and documentation that seek to ensure that value for money is considered at all stages in the procurement lifecycle, and that savings opportunities are clearly identified.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The programme team is developing systems and documentation that seek to ensure that legal implications, access to information and call-in are considered at all stages in the procurement lifecycle.
- 4.5.2 The programme will result in recommendations for change to the council's Contracts Procedure Rules. Some recommendations for change to the council's sub-delegation scheme are also anticipated.

4.6 Risk Management

- 4.6.1 The programme operates in compliance with the council's risk management policy. A programme risk register captures risks identified at a programme level and is informed by risk registers owned and maintained by the separate workstreams.
- 4.6.2 The programme team is developing systems and documentation that seek to ensure that risks are identified and managed at all stages in the procurement lifecycle.

5 Conclusions

- 5.1 The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys.
- 5.2 A Transforming Procurement Programme has been formed to drive strategic and systematic change to our procurement activities to deliver economy, efficiency and effectiveness which is sustainable for the long term.
- 5.3 A framework strategy has been developed and supporting documentation drafted.
- 5.4 Pilots of the new approach are underway. They are assisting in refining the strategy and associated documents, and are now beginning to directly deliver benefits of additional savings and improved control.
- 5.5 Processes and tools to better manage procurement resources are in place, and systems have been developed to better understand and track our procurement activity, which in turn is improving our ability to manage the council's contracts and expenditure.

5.6 Consultation and engagement both within and external to the council is indicating support for the proposed new approach to procurement.

6 Recommendations

6.1 That members of the Corporate Governance and Audit Committee note and comment on the contents of this report.

7 Background documents¹

7.1 There are no background documents however the report identifies that a number of documents (Appendix 1 - 3) are being developed to support the implementation of the proposed strategy. These draft documents are still under discussion and may change.

Appendix 1 Draft context diagram including the procurement lifecycle

Appendix 2 Draft whole council category map

Appendix 3 Draft category plan contents list.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.